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FM AMEMBASSY LIMA

TO RUEHC/SECSTATE WASHDC 9132

INFO RUEHBO/AMEMBASSY BOGOTA 3103

RUEHQ/AMEMBASSY QUITO 0114

RUEHLP/AMEMBASSY LA PAZ 3100

RUEHSG/AMEMBASSY SANTIAGO 0281

RUEHCV/AMEMBASSY CARACAS 9159

RUEHBU/AMEMBASSY BUENOS AIRES 2301

RUEHBR/AMEMBASSY BRASILIA 6566

RUEHBJ/AMEMBASSY BEIJING 0363

RUCPDOC/DEPT OF COMMERCE WASHINGTON DC

RUEATRS/DEPT OF TREASURY WASHINGTON DC

RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC

RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION 0002

RHEHNSC/NSC WASHDC

UNCLAS SECTION 01 OF 02 LIMA 000965

SIPDIS

SENSITIVE

SIPDIS

DEPT FOR WHA/AND, WHA/EPSC, EB/IFD/OFD

TREASURY FOR OASIA/INL

COMMERCE FOR 4331/IEP/WH/MCAMERON

USDA FOR FAS/ITP/FELDER

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [EINV](#) [PGOV](#) [PREL](#) [PE](#)

SUBJECT: PERU'S EXPORTS TO CHINA INCREASE 51 PERCENT

REF: A) 05 LIMA 4539 B) 05 LIMA 3743 C) 05 LIMA 436

¶1. (SBU) Summary. In 2005, the Peruvian Government successfully improved its trade relations with China, witnessing an increase in both exports to and imports from China over 2004 levels. China is now the second most popular destination for Peruvian exports and imports, with exports to China increasing by 51 percent and imports from China increasing by almost 37 percent. In comparison, Peru's exports to the United States totaled \$5.2 billion in **¶2**005. The GOP predicts that 2006 exports to China will exceed \$2 billion. End Summary.

Exports are A-Risin'

¶2. (U) 2005 was a stellar year for Peruvian exports -- total exports increased 36.7 percent, from \$12.4 billion in 2004 to \$17 billion, according to the Ministry of Trade (Mincetur). While the United States continues to be the top destination for Peruvian exports (with \$5.2 billion exported in 2005), China is now Peru's second largest trading partner. Since 2003, Peruvian exports to China have increased by 198 percent -- the fastest increase among developing countries in the world.

¶3. (U) Exports to China in 2005 totaled \$1.86 billion, a 51 percent increase from the \$1.23 billion exported in 2004. The Chinese market received 11.2 percent of Peru's total exports last year. Mincetur officials predict that Peruvian exports to China in 2006 will exceed \$2 billion. According to Esteban Whuking Leon, Vice President of the Manufacturing Committee at the Association of Peruvian Exporters (ADEX), Peru exports primarily raw materials and primary products to China, including minerals and agricultural products.

Top Six Peruvian Products Exported To China

Product	2004 USD million	2004 USD million	2005 USD million	2005 USD million	Percent Change
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	mill	kilos	mill	kilos	Kilos
Fish Meal	425.7	810.2	585.5	1049.1	29.5
Copper Concentrates	408.0	585.0	502.7	583.0	- 0.3
Molybdenum	47.0	2.0	220.8	7.0	250.0
Iron Concentrates	95.4	4300.0	142.1	4100.0	- 4.7
Lead Concentrates	104.0	196.5	139.8	198.6	1.1
Copper Cathodes	80.0	27.5	124.7	34.0	23.6

Source: PROMPEX

¶4. (SBU) In 2005, a record 269 Peruvian companies exported products to China, up from 190 companies in 2004. GOP and ADEX officials attribute this to improved commercial relations between the two countries, as well as the expansion of the Sino-Peruvian Business Council (CEPECHI) in Peru. Wuking Leon also noted that the new Chinese Commercial Counselor Zhang Jisan, who arrived in early January, has also sought to promote Chinese-Peruvian trade relations. Zhang Jisan, who replaced Li Haitong, speaks Spanish, which has improved the ability of the Chinese to link up with several Peruvian firms. One of the first things Zhang did upon his arrival was arrange a low-key visit of several Chinese businessmen to Ica, approximately 3 hours south of Peru and a Peru's primary agricultural district. They met with local agricultural producers to discuss the possibility of exporting asparagus to China.

Increased Demand for Chinese Products

¶5. (U) In 2005, China advanced from the third largest market for Peruvian imports to the second, surpassing

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Colombia. Peruvian imports in 2005 increased dramatically from \$12.5 billion from \$9.3 billion in Q4, an increase of 34.4 percent. Imports from China also increased from 7.6 percent (\$768 million) of all Peruvian imports in 2004, to 8.5 percent (\$1.06 billion) in 2005.

Peruvian Imports from China, 2004-2005 USD millions

Product	2004	2005	Percent Change
Recording, Image And Sound Telephones	34.5	33.5	- 2.0
Memory Units	25.6	21.1	- 17.6
Radio Receptors	16.8	17.7	5.4
Motorcycles	16.1	22.5	38.9
TV receptors	14.4	19.1	32.6
	10.1	20.5	103.0

Source: SUNAT

Comment: Seeking to Diversify Trade Mix

¶6. (SBU) We have heard from several GOP officials and export representatives that China views Peru as the "gateway" into South America. Although China has not historically taken a strong interest in Peru, the recent Chinese investments in the oil and gas sector (ref A) and enhanced trade relations indicate that Peru is becoming more important. We expect that as China increases its imports of raw materials and traditional products from South America, that it will seek to further deepen relations with Peru, perhaps by investing in infrastructure projects to enhance shipments of these products through Peru. The Chinese view Peru as a source of commodity products; the Peruvians, however, have expressed a desire to shift away from commodities, emphasizing increased trade of agricultural products. While the Chinese have only recently begun to import Peruvian agricultural products, the newly arrived Chinese Commercial Counselor is looking to

promote agriculture trade in exchange for the sale of Chinese machinery in Peru.

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